Scarcity & Abundance

digitalization is changing the core characteristics of many products and business models. Pascal uses a few examples to explain how the right use of technology can take us from a state of scarcity to a world of abundance.

Learning contents

- **Digital product costs falling rapidly**
- **New business models**

We've already talked about this.

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The idea of moving from a world of scarcity to a world of abundance.

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And it is really important to understand this,

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that we are moving into a world where resources are not scarce anymore,

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but by leveraging the right types of technologies we can unlock abundance.

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And of course this doesn't work in all technologies, but it does work in quit a few.

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Let me give you a few examples.

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Very simple:

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Think about books.

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The way you print a book, a physical book, is:

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you grow a tree, you turn that tree into a pulp, you turn that pulp into paper,

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you print on the paper, then you have to bind it,

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and to get it to you, I need to now put it into a truck, it needs to get to a shop,

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you need to pick it up and for you to store it you need to have a bookshelf.

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These are real scarce resources.

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The moment you turn that into a digital good, something very fundamentally shifts.

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The core properties shift, because now the cost of duplication,

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making a copy - the cost of replication,

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and sending it to you, so distribution,

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as well as the cost for you to store it, go down to close to zero.

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We're moving from a world of scarcity to a world of abundance.

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I give you another example: music.

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We all know music.

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Music was an oil-based business.

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You bought records and CDs which are made out of plastic, which ultimately is oil.

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What happened with music is: it got digitized.

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And then we had the mp3 and, you know, Shawn Fanning brought Napster out.

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And then that even goes a step further, because now you don't even need to store the mp3s anymore,

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because we have Spotify and Apple Music,

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where we get these music files streamed to us,

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and there are 120 million songs and I pay 9.99 a month.

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So we are moving into a world which looks really, really weirdly different, where we have abundance.

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I give you one last example: knowledge.

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I grew up in a world where my parents bought Encyclopedia Britannica,

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this big tome of knowledge.

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Jimmy Wells comes along, brings out Wikipedia and now knowledge is free and abundant.

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One thing which is really important to understand is - which a lot of people get wrong:

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They see abundance and they think that the price will go down to zero, it becomes free.

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That is not true.

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What actually happens is that the properties change,

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and the markets change and thus our business models change.

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So instead of having a business model which is based on scarcity,

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pricing something on the fact that there is only a limited availability of the particular item,

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I now have subscription models and other models and platforms.

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So it's a really interesting world.

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It's also a world where we're shifting from owning stuff to renting it.

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I don't own my music anymore, I rent it.

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I don't ow my car anymore, I 'uber'.

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Let me give you a really interesting example, like a totally bizzar one.

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So I was with a pharma company.

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Big pharma company.

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And I asked them: what is the prescription drug made of?

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And they said: 'Well, it's this molecule and we've got the formula,

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and we produce it and then we put it into a powder and we turn that powder into a tablet,

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and we put it into a blister pack and ship it off.'

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And I asked them a simple question, I said:

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So really, what you're saying is,

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what you do is:

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You have a pice of information, which is the formula, and then you produce it.

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We can already, in a lab, not on a scale,

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in a lab we can reproduce molecules, with a 3D printer.

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So in the future a pharma company will probably not sell me pills anymore,

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they will sell me the information.

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And then I go to either my home or probably in a pharmacy,

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where they have a specialized 3D printer to 3D-print my prescription drugs.

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It'll change my business relationship with that pharma company.

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It'll change from 'you sell me goods' to 'I probably have a subscription to my drugs'.

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So, a really important point to understand:

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as we're moving from scarcity to abundance,

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our business models will pretty fundamentally change.
